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DEPARTMENT OF PUBLIC SOCIAL SERVICES

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February 9, 2006

TO: Each Supervisor

FROM: Bryce Yokomizo, Director

SUBJECT: **TANF REAUTHORIZATION – INCREASED WORK PARTICIPATION REQUIREMENTS**

On February 1, 2006, the House of Representatives approved a five-year reauthorization of the Temporary Assistance for Needy Families (TANF) program, as part of budget reconciliation legislation which was previously approved by the Senate and which was signed into law by President Bush on February 8, 2006. This reauthorization of the TANF program will substantially increase California's effective work participation rates (WPRs) and the risk of federal penalties if the State fails to achieve the required rates.

OUR PRINCIPAL CONCERNS WITH TANF REAUTHORIZATION

The reauthorization legislation maintains the same work participation rates included in current federal law, but eliminates some key provisions and flexibility that have allowed states to design effective programs that meet the federal rate requirements and avoid federal fiscal penalties. We have identified the following three priority issues in the TANF reauthorization legislation we will be working with other stakeholders to address:

1. Under current federal law, California has easily met the federal WPR for all families with an aided adult as a result of the federal caseload reduction credit that reduces the required 50% all-family WPR by the percentage decline in California's AFDC/CalWORKs caseload since 1995. Since 1995, California's caseload has declined 46%. However, under TANF reauthorization, effective October 1, 2006, any future caseload reduction credit will be based only on caseload reduction since 2005. As a result, effective FFY 2007, California will be required to meet the full federal all-family WPR of 50%.
2. California will be required to meet a 90% WPR for aided two-parent families. Although this rate is in effect under current law, like many other states, California has avoided this onerous two-parent rate through the creation of a separate state program for two-parent CalWORKs families, which is funded with state TANF

maintenance-of-effort (MOE) dollars. However, the option to create and fund such separate state programs using State MOE funds will be eliminated under TANF reauthorization.

3. If California fails to meet the WPRs for all families (50%) and/or for two-parent families (90%), the State will be subject to a federal penalty. Under current state law, counties contributing to the State receiving the penalty would be liable for half of the penalty amount, subject to certain exceptions. For FFY 2007, the State's penalty for failing to meet the WPR for all families would be \$185 million, and such a penalty would likely be subject to payment in FFY 2009. If the State met the all families WPR but failed to meet the two-parent rate, the penalty would be much smaller, based on the percentage of two-parent families in the State's overall TANF aided-adult caseload.

IMPLEMENTATION

The U.S. Department of Health and Human Services is required to release interim final regulations to implement the reauthorized TANF program by July 1, 2006. There are a number of activities underway at the national, state, and local levels to address the concerns described above via the regulatory process. We will continue to communicate closely with the CAO as this process moves forward.

- At the federal level, we will work with the American Public Human Services Association (APHSA) and other partners to influence federal regulations.

Since an estimated 45 out of 50 states would be out of compliance with required WPR, the feasibility of federal TANF clean-up legislation is also being explored to mitigate some of the more onerous aspects of TANF reauthorization, such as the two-parent work participation rate and the October 1, 2006 effective date of the new work participation rate provisions.

The Governor's Office is also prepared to work with federal officials and the State's Congressional Delegation to advocate any necessary changes to try to ensure there is not a disproportionate fiscal impact on California.

- At the state level, we are already working actively with the County Welfare Directors Association (CWDA) to identify potential modifications to the CalWORKs program to increase the State's work participation rate, while maintaining the core elements of the CalWORKs program, such as access to the broad array of services which families need to attain self-sufficiency.

As the lead in our statewide effort, CWDA is also preparing for likely discussions with the California Department of Social Services (CDSS), legislative staff, Legislative Analyst's Office, and other stakeholders regarding potential modifications to the CalWORKs program and other technical changes to the state's use of federal TANF and state TANF maintenance-of-effort funding which could increase the State's work participation rate.

- At the local level, we are continuing with implementation of current efforts to maximize work participation, especially implementation of our Action Plan to Reduce CalWORKs Sanctions which I shared with you in August 2005. This action plan was developed based on a detailed research study by CAO-SIB and a collaborative planning process based on the results of that study.
- In addition, we are exploring other possible modifications to the design and operation of our CalWORKs program, with emphasis on steps to reduce the time that participants spend between work activities, such as time between the end of job club and commencement of classes at a community college. Finally, we will begin working this week with CDSS, other large counties, and expert consultants retained by CDSS to identify best practices and potential steps to increase work participation.

I will continue to keep you informed of significant developments regarding these issues.

BY:pa

c: Chief Administrative Office
County Counsel
Executive Officer, Board of Supervisors